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Chief Counsel & Director of Legal Services

July 11, 2018

VIA ELECTRONIC FILING

Jocelyn G. Boyd, Esquire
 Chief Clerk & Administrator
 Public Service Commission of South Carolina
 101 Executive Center Drive, Suite 100
 Columbia, South Carolina 29210

Re: Application of Duke Energy Carolinas, LLC for an Accounting Order to Defer Certain
 Capital and Operating Expenses

Docket No. 2018-207-E

Dear Ms. Boyd:

By this letter, the South Carolina Office of Regulatory Staff ("ORS") hereby notifies the Public Service Commission of South Carolina ("Commission") that ORS has reviewed and does not oppose the Petition of Duke Energy Carolinas, LLC ("DEC" or "the Company") requesting approval for an accounting order to defer certain capital and operating expenses pursuant to S.C. Code §58-27-1540 and S.C. Code Reg. 103-825.

The Company requests an accounting order for regulatory and financial accounting purposes authorizing the Company to defer in a regulatory asset certain incremental costs that have been or are being incurred by the Company since January 1, 2018. The Company seeks to defer the following items:

- 1) Return and depreciation on the capital costs, incremental non-fuel operations and maintenance ("O&M") expense, property taxes associated with the W.S. Lee Combined Cycle ("Lee CC") and carrying cost on the investment/deferred costs at its weighted average cost of capital ("WACC");
- 2) Incremental O&M expenses associated with the deployment of Customer Connect and carrying costs on the deferred costs at its WACC; and
- 3) Return and depreciation on the capital costs associated with the Carolinas West Primary Distribution Control Center ("CWPDC").

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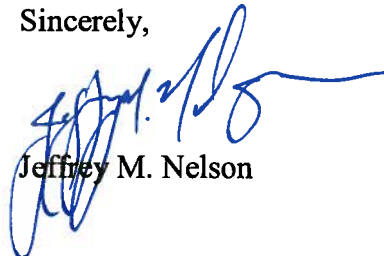
The Company estimates the deferred costs related to the Lee CC, Customer Connect and CWPDCC will total more than \$33 million by mid-2019. The Company's accounting records of the deferred costs will be based on actual costs not estimates.

The Company states in its request that without the accounting treatment the costs of Lee CC, Customer Connect and CWPDCC will continue to negatively impact the Company's financials and the effects could impair the financial stability and ability to attract capital. ORS's position does not support, or validate the Company's assertion that absent the accounting treatment requested the Company would experience financial impairment. Likewise, ORS's position on the accounting treatment request does not support, validate or guarantee future recovery of the Company's deferral of a return or carrying costs at its WACC on its investments.

The Company's request will not involve a change to any retail rates or prices at this time or require any change in any Commission rule, regulation, or policy. ORS's position is predicated on the basis that the issuance of an accounting order in this matter will not preclude the ORS, Commission, or any other party, from addressing the reasonableness of these costs including the carrying costs in a subsequent general rate case or other proceeding.

If you have any questions, please do not hesitate to contact me.

Sincerely,



Jeffrey M. Nelson

cc: Joseph Melchers, Esquire (via E-mail)